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SUBJECT: Aviation Emissions: EU Willing to Negotiate, but
Wants Everyone to Do it Their Way

¶1. (SBU) Summary: EU interlocutors told FAA Assistant Administrator Daniel Elwell that the EU proposal to include aviation emissions in the EU Emissions Trading Scheme (ETS) would probably be enacted by end 2008. The EU is committed to going forward with a unilateral proposal, and many EU entities define a third country's aviation emissions management system as QequivalentQ based on its structure (including aviation in an ETS) rather than its results. Most EU interlocutors welcomed negotiations but coupled this with a Qone size fits allQ mindset. End Summary.

¶2. (SBU) On March 5-6 Federal Aviation Administration Assistant Administrator for Aviation Policy, Planning and Environment Daniel Elwell, accompanied by Carl Burleson, FAA Environment Director, visited Brussels and met with Council, Commission, European Parliament (EP), Member State Permanent Representatives and industry representatives. In every meeting, Elwell made the following points:

-- The US is results-oriented and has achieved them. US aviation emissions declined 4 percent since 2000 without an ETS system or any mandatory measure, due to fleet renewal, more efficient aircraft use, ATM and other technological improvements, and high fuel prices. (At the same time, EU-15 air carriers saw their emissions rise by 30 percent.)

-- All countries should achieve aviation emissions reductions, but choose the measures that work best for their markets. There is no Qone size fits allQ.

-- The next US Administration/Congress will still oppose the unilateral application of the EU emissions proposal. This has bipartisan support.

-- We are optimistic that the International Civil Aviation Organization (ICAO) Group on International Aviation and Climate Change, (GIACC Q formed at the Fall ICAO 2007 Assembly) can create recommendations for ICAO Member States to tackle aviation emissions.

-- ICAO has not moved slowly. For a consensus body with large membership (190 contracting states), it has made much progress.

-- Our upcoming Stage Two Air Services Agreement negotiations may provide a forum for dialogue.

13. (SBU) In turn, the common themes we heard from many EU interlocutors were:

-- The aviation emissions proposal timeline: The EP will not complete a second reading before the summer break; therefore the French Presidency will press to get final agreement by end 2008.

-- The EU needs to maintain its leadership role in pushing for aggressive actions to combat climate change. The aviation emissions proposal is a key plank in EU overall strategy and EU internal climate change efforts.

-- The EU is not averse to negotiating with international partners on how to manage aviation emissions. But the EU wants to be satisfied that a third country's system has a target for reducing emissions, contains a punitive element for non-compliance and has a price signal which forces everyone to pay to promote compliance; for many interlocutors, this means having aviation in an ETS.

Commission Positions -----

14. (SBU) Nancy Kontou, Head of Cabinet for Environmental Commissioner Dimas believed there were three avenues for progress on managing aviation emissions: the EU ETS proposal, ICAO and the UNFCCC. She was hopeful GIACC could find a meaningful and binding agreement. Kontou was confident that aviation and maritime emissions would be discussed in the UNFCCC context and a timely adoption of an

BRUSSELS 00000609 002 OF 004

ICAO-GIACC plan would be a powerful contribution to the UNFCCC process.

15. (SBU) Kontou stressed the EU was not against collaboration and an ICAO agreement, but had seen a lack of willingness among its bilateral partners to negotiate. Kontou said any international agreements would need to have a meaningful reduction of emissions and measures which guarantee application, in order to be accepted by the Member States. Aspirational targets would not work if there was a great deal of skepticism in Europe. Kontou indicated that the EU would be the arbiter of equivalent measures, but this could be dropped if an international authority emerged. Developing countries could choose measures in line with the common but differentiated approach of the UNFCCC. For example, China would not face an absolute cut in its aviation emissions levels, but rather a reduction in their growth rate.

16. (SBU) Burleson asked if aviation emissions reductions without an ETS (as the US has done) would be considered meaningful. Kontou said yes, but qualified this by saying aviation should be part of a comprehensive approach on emissions. Deputy Head of Cabinet Peter Schellekens added that aviation should contribute to promoting emissions reductions in other parts of the economy, via participation in an ETS. Burleson rebutted that performance, not structure should be the criteria if a country can achieve meaningful aviation emissions reductions without aviation being in an ETS, then that should be acceptable to the EU. Kontou countered in turn that the system would need an incentive to achieve any target and the ETS was a powerful incentive. Kontou also added that any target must have a punitive element for non-compliance, and any international solution would need to address this.

17. (SBU) Benoit Le Bret Head of Cabinet for Transport Commissioner Barrot and Francis Morgan, Cabinet Member, indicated that placing aviation in the EU ETS is better than any tax tools the Member States would be tempted to

use. Le Bret stressed that the EU believes that there must be a price signal to industry to aid in pressuring manufactures to achieve reductions. When Elwell asked if high fuel prices were a strong signal, Le Bret agreed, but noted that if a third country's system was something the EU could recognize as QequivalentQ, then it was acceptable. When asked how the EU planned to handle potential Chinese opposition to the emissions proposal, Le Bret indicated he hoped the US and the EU could agree on a set of common rules to manage aviation emissions and then QimposeQ this vision on other third countries.

¶8. (SBU) Daniel Calleja, Air Transport Director, Directorate General for Transport (DG TREN) hoped GIACC would reach concrete conclusions, in particular that major countries would commit to work on specific measures to combat aviation emissions. Calleja also felt there were openings for discussion in the context of US-EU Stage Two Air Services Agreement negotiations. He noted that amending the EU's 130 horizontal air agreements to account for bilaterally handling emissions between the EU and its air partners would not be too difficult. The key would be making sure that DG TREN was legally empowered to head any aviation emissions negotiations. Calleja said there was a Qbig riskQ that EU Member States would implement taxes or charges unless an EU aviation emissions regime was in place. When asked if DG TREN would be able to enforce this, Calleja replied it was possible if the Council and Parliament agree.

¶9. (SBU) When the discussion turned to achieving results versus structure, Calleja agreed with the US focus on results as a way to measure QequivalenceQ, but noted that DG Environment would require aviation in an ETS. Regarding NOx aviation emissions, Calleja indicated that DG TREN had removed NOx language from the aviation emissions proposal in exchange for producing proposed legislation addressing NOx emissions by the end of the year. He warned that

BRUSSELS 00000609 003 OF 004

without EU or international action on NOx emissions, there was a risk that local EU authorities would take action.

European Parliament (EP) Positions

¶10. (SBU) MEP Peter Liese, rapporteur for the aviation emissions proposal, indicated he had limited room to change the emissions proposal Q only as needed to secure a compromise between the EP and Council drafts. However the EP could change the ETS legislation if there was a QpositiveQ international solution. The EP is also ready to negotiate bilateral deals with third countries. Liese expected any US ETS proposal to cover aviation, believed that the next US Administration would reach agreement on a common US-EU aviation emissions scheme, and that this would then lead to a global solution. When Elwell raised the fact that other countries, such as China, opposed unilateral inclusion, Liese agreed that China would oppose application, but stressed, QtheUS is the leader of the opposition.

¶11. (SU) In response to Elwell's description of congressional opposition to the unilateral ETS proposal, Liese said the EU did not want to be unilateral, but ICAO was clearly not prepared to address global aviation emissions. Europeans had the impression that the US was not pushing for an aviation emissions commitment, even at Bali. In Liese's mind the perfect post 2012 solution would be to include aviation in the next UNFCCC agreement. He claimed that discussions on aviation emissions in this context Qwere still openQ. (Comment: The Bali meeting decided not/not to include aviation emissions in upcoming talks, leaving ICAO to continue its deliberations. End Note)

¶12. (SBU) MEP Georg Jarzembowski of the Transport and Tourism Committee stated the EU ETS legislation would pass, would unilaterally include third countries, and if anyone wanted to challenge it, they were welcome to do so. The EU would judge if another state's aviation emissions efforts were QequivalentQ and if they were not, Qwell, thatQs tough.Q Jarzembowski stated that the airlines had been split Q British Airways agreed with the proposal as the price of Heathrow expansion. Air France had agreed to give the upcoming French Presidency a win on the environment, but, confronted with the true costs, was now reversing its position. Lufthansa, faced with the above, had no recourse but to give in. (Comment: We believe Lufthansa's strategy is more about letting the United States sink the ETS/aviation measure than Qgiving inQ. End comment) Jarzembowski personally defined QequivalentQ as having a plan to reduce emissions, never mind the structure. Jarzembowski hoped we could work something out in the context of the US EU Stage Two Air Services Agreement negotiations. (Note: Jarzembowski is known for his frankness. His comments should be taken as respecting us enough to tell us the hard truths. End Note)

¶13. (SBU) Former MEP Jacqueline Foster confirmed that Liese does not have any wiggle room in the EP on the emissions proposal due to pressure from the Greens and Qpseudo-GreensQ of other parties who have embraced combating climate change. Foster noted that EU Commissioners are looking for a Qgreen winQ to take to the voters in 2009 elections. Part of the pressure to place aviation in the ETS is also due to lack of EU jurisdiction over managing airport congestion/airport expansion Q it is a Member State/local competence. Thus, the only hope against strong national environmental pressures for measures such as taxes/charges is to have mitigating EU legislation.

Industry Positions

¶18. (SBU) During a lunch with industry representatives, Charlotte Andsager of SAS said that environment is a QreligionQ in Europe and trying to argue against it was an

BRUSSELS 00000609 004 OF 004

enormous uphill battle for airlines. Boeing's representative noted that the consultative process with industry on NOx emissions would begin in late April, early May, with the hope to have a communiqu  ready by the end of the year. One major problem Boeing foresaw was the linking of slot allocation at airports to NOx emissions. Lack of progress on the European Single Sky due to Member State ATM labor concerns and local aviation taxes/charges for environmental issues were also discussed. Burleson noted that the latter issue, as well as local noise restrictions, would probably form part of State Two Air Services Agreement negotiations.

Member State Perm Rep Positions

¶19. (SBU) Elwell and Burleson also met with a number of different Member State Deputy Permanent Representatives (DPMs). Many repeated assertions made by Commission and EP interlocutors, but also contributed some different ideas. Slovene DPM Tovsak admitted the EU needed to get international buy-in to achieve its climate change goals and therefore needed to consult with other countries. Tovsak was pleasantly shocked at US results on lowering aviation emissions, but many on the EU side believed built-in incentives and market based measures were also required. Hungarian DPM Vargha indicated that while smaller and newer EU Member States support their national carriers and want to rapidly develop their air markets, they also supported the EU climate change goals. The EU ETS was cheaper and more cost effective than other measures.

¶20. (SBU) Finnish DPM Vaskunlahti said that as long as the aviation proposal remains open for debate, there is the possibility to insert language along the lines of Qwithout prejudice to international agreementsQ which would cover any negotiations underway or predicted. German DPM Witt noted that EU ETS revision/expansion draft legislation would also impact the aviation emissions debate Q this is expected to be a painful process and Member States had already raised a number of complaints about ETS expansion in the March 3 MinisterQs discussion. Witt also indicated that the larger issue is an EU consensus that other nations have to contribute to combating climate change, threshold countries such as China and India must also do their part, and the only way to gain acceptance of QpainfulQ internal EU climate change measures was to ensure that other countries were also contributing. Witt stressed this would not be solved by lawyers, but rather by politicians.

¶21. (SBU) Comment: With the first reading over, and other EU climate change legislation on the docket, the EU position on aviation emissions appears to have become fixed, as it looks to its overarching international climate change goals. There is significant political momentum across the EU institutions to put in place this measure, as evidence of the EUQs commitment to combat climate change, with little regard for whether it will yield results. It is also clear that the EU is wedded to QequivalenceQ in negotiating managing aviation emissions with third countries, and see equivalence as a third country having an aviation emissions management system along EU lines, including aviation in an ETS. End Comment.

FAA has cleared this cable.